

SENATE BUDGET COMMITTEE

KENT CONRAD, CHAIRMAN

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Contact: Stu Nagurka (202) 224-7436
Steve Posner (202) 224-7925

CONRAD WELCOMES BERNANKE CALL FOR ACTION ON LONG-TERM DEBT

Fed Chairman Testifies on Need for Long-Term Plan; Cautions Against Near-Term Actions That Could Harm Recovery

Washington, D.C. - Senate Budget Committee Chairman Kent Conrad (D-ND) today welcomed comments from Federal Reserve Chairman Ben Bernanke calling for action on reducing the nation's long-term debt. In testimony before the Senate Budget Committee, Chairman Bernanke urged adoption of a long-term debt reduction plan, while cautioning against near-term actions that could harm the economic recovery.

"It is widely understood that the federal government is on an unsustainable fiscal path," said Chairman Bernanke. "The prompt adoption of a credible program to reduce future deficits would not only enhance economic growth and stability in the long run, but could also yield substantial near-term benefits.... In their planning for the near term, fiscal policymakers will need to continue to take into account the low level of economic activity and the still-fragile nature of the economic recovery."

"I hope people are listening to what Chairman Bernanke had to say today," said Senator Conrad. "We need to enact a long-term deficit and debt reduction plan, and we need to do so quickly. At the same time, we must be careful not to take steps in the near-term that might undermine the strengthening recovery. We need to structure the plan so that it kicks in after the economy is on a stronger footing."

The nation remains on an unsustainable long-term fiscal course. In recent years, the federal government has been borrowing about 40 cents of every dollar that it spends. Spending is at its highest level as a share of the economy in 60 years and revenue is at its lowest level as a share of the economy in 60 years. And the long-term outlook is even worse, with the Congressional Budget Office projecting that debt could rise to almost 400 percent of GDP by 2054.

"It is imperative that Congress and the White House act this year to address the long-term fiscal imbalance," added Senator Conrad. "The President's Fiscal Commission has focused attention on this issue and presented a bipartisan plan that could be the basis for moving forward. The politically-divided Congress provides a further opening for a truly bipartisan agreement. Now is the time to act."

Today's hearing marks the first public appearance and comments by Chairman Bernanke in 2011. This is the third time he has testified before the Senate Budget Committee.

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